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PENNSYLVANIA RAILROAD PENSION DEPARTMENTS:
SYSTEMS EAST AND WEST OF PITTSBURGH AND
ERIE, PA. STATUS TO AND INCLUD-
ING THE YEAR 1907

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Experience having demonstrated that the available surplus from Relief Department operations would provide, under the most favorable conditions, only a small superannuation allowance for the membership of that Fund exclusively, the Pennsylvania Railroad Company, after thorough investigation, evolved a system of pensioning under the operation of which all employees of the service, regardless of Fund membership, are prospective beneficiaries after compliance with regulations prescribed for its conduct and administration. The purpose of the Company in this direction was made known to the employees in notices sent out under date of December 18, 1899. The plan known as "The Pennsylvania Railroad Pension Department," went into effect on January 1, 1900, the companies associated in its administration being the Pennsylvania Railroad Company, the Northern Central Railway Company, the Philadelphia, Baltimore and Washington Railroad Company, the West Jersey and Seashore Railroad Company, and the Philadelphia and Camden Ferry Company.

The department of the Lines West of Pittsburgh, known as "The Pension Department of The Pennsylvania Lines West of Pittsburgh," was started on January 1, 1901, having been formed on lines corresponding to those obtaining in the department of the Lines East. The companies associated in its administration are the Pennsylvania Company, the Pittsburgh, Cincinnati, Chicago and St. Louis Railway Company, the Grand Rapids and Indiana Railway Company, the Cleveland, Akron and Columbus Railway Company, the Vandalia Railroad Company, the Cincinnati and Muskingum Valley Railroad Company, the Waynesburg and Washington Railroad Company, the Cincinnati, Lebanon and Northern Railway Company, and the Wheeling Terminal Railway Company.

Department affairs are controlled by a Board of Officers, consisting of the Vice-Presidents, the General Manager, and the Comptroller of the Railroad Companies, vested with full power to make and enforce Department rules and regulations.

During the formative stages of the pension plan the law of averages as applied to the observation of life, from the standpoint of figures provided by the American Experience Table of Mortality, was given careful consideration, resulting in the gathering of much valuable statistical information. The basis of Pension Department operation finally decided upon was arrived at by obtaining from all employing officers throughout the System records of employees aged fifty-five years and over together with length of service and rate of pay in each case. With these data in hand, classifying such employees by age, statistics were compiled showing what their respective service would be upon reaching the retirement ages of sixty-five and seventy years, and to the results thus obtained were applied various percentages of the different rates of pay, due allowance being made for deaths which might occur at different ages, this application being made conformably to the provisions of the American Experience Table of Mortality.

The objects of the Department are to provide for old and faithful employees, under designated conditions which will be later stated, by placing them on what is styled a "retired list," upon their becoming physically or mentally incapacitated after a specified period of continuous service, or attaining a maximum age. The retirement or pension allowances, in such cases, are to be paid exclusively from the revenue of the Railroad Companies.

The maximum age limit for entrance to the service is 45 years, except that:

(a) Former employees may be re-employed within a period of three years from the time of leaving the service. This three-year period is deemed sufficient to enable employees to decide whether or not they desire re-employment. At the same time such absence from the service does not interfere with the employees' status, at the retiring age, from the standpoint of having been in the service sufficient length of time to insure him the benefit of a reasonable pension allowance. It must not be inferred, however, that former employees over the maximum age limit who may desire re-employment under these conditions are entitled to re-employment merely

on their request, or because an employing officer wishes to re-employ them, as the request for such re-employment must contain good and sufficient reasons.

(b) Persons may, irrespective of age limit, be employed where the service involved requires professional or other special qualifications.

(c) Persons may be temporarily taken into service, regardless of age limit, for a period not exceeding six months, subject to extension to complete the work for which engaged.

Employment of persons under "a" and "b" is recommended by the Board of Officers of the Pension Department, but must have the approval of the Board of Directors of the Railroad Company.

Employment in the Company's service is generally accepted as being of a permanent nature, and the Company, so viewing the matter, made provision accordingly in the original formation of the Department, by limiting the age to 35 years. The age-limit was the outcome of a long and careful consideration of propositions the adoption of which would, it was thought, enable the establishment of a working basis whose operations would insure a plan invested with uniformity in the computation and awarding of retirement allowances. The three prime elements upon which such allowances rest are, (a) age at entrance to service, (b) length of service, and (c) wage earning status during a designated period. The allowance is a fixed percentage of the average pay received during the ten years immediately preceding retirement, applied to the entire length of service.

Although 35 years was looked upon as experimental when the Department was started, it was then believed to be the fairest and most equitable age limit for the best interests of the employees in general. In the past few years sociological, commercial, and industrial conditions have been practically revolutionized. The era of great undertakings and ventures is at hand, and the transportation interests, in common with all other business enterprises, are keeping pace with the movement. Consolidations and expansions are steadily enlarging the material interests and requirements of the railways. With this pronounced development of rail transportation interests (and the railways are nowadays more or less directly or indirectly related to nearly every important field of human activity), has grown a distinct tendency toward standardization, specialization, and ex-

traordinary skill or expertness in the various avenues of labor, professional, mechanical and manual. Invention, labor-saving machinery, and the spirit of the times, have combined to compel the average wage earner to strive for exceptional individual efficiency in his chosen avocation, and, on the other hand, have provoked a constantly increasing demand by railway companies for employees specially equipped to fill positions in their service. Extended observation shows that these classes of professional men, specialists, mechanical experts, and skilled artisans, are commonly composed of men who have devoted long periods to the attainment of exceptional qualifications and ability for their respective callings, and they are, in many instances, over 35 years of age. For the purpose of minimizing the force of the original age limit, and so occupying a position in which the services of these specially competent men could be utilized, the two parts of the Pennsylvania Railroad System, under date of March 12, 1907, for the Lines East, and February 4, 1907, for the Lines West, authorized the amendment of Pension Department regulations, to take effect as of April 1, 1907, to provide for increasing the age for admission to the service of the several companies, from 35 to 45 years. The change in the age limit does not in any respect affect the established working basis of the Department in the granting of pension allowances. The basis of allowance award, as already described herein, will produce uniform results. The older the man upon entrance to the service the lower proportionately will be the pension allowance awarded upon reaching retirement age in the 70-year, or involuntary retirement class. In the 65-69-year, or voluntary retirement class the 30-year service period advances automatically one year for each year over age 35 upon entrance into the service. That is, an employee aged 35 years at the time of entering the service, if permanently incapacitated upon reaching age 65 years, would be retired under the operation of the 30-year-service clause; if 36 years of age upon entering the service such retirement could not become effective until 66 years, and so on up to age 70, when the compulsory retirement provision of the regulations would apply regardless of years of service; the limit to obtain retirement under the 65-69-year class being, therefore, 39 years of age at entrance.

Pension allowances are paid upon the following basis: For each year of service one percentum of the average monthly pay for the ten years immediately preceding retirement, determined by ascer-

taining the total amount of wages the employee actually earned and for which he was carried upon the pay-rolls, during said ten-year period and dividing that amount by 120 calendar months.

The undertaking is financed by the several companies associated in administration, and the stockholders at the respective annual meetings appropriated a maximum for the two parts of the System during the year 1907 amounting to \$822,500, made up:

Lines east of Pittsburgh, maximum	
annual appropriation of	\$600,000
Lines west of Pittsburgh, maximum	
annual appropriation of	222,500
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Total	\$822,500

This aggregate maximum annual appropriation of \$822,500 for both parts of the system, is devoted exclusively to the payment of duly authorized and approved pension allowances.

Provision is made that if the basis of pension allowances creates demands in excess of annual appropriations, a new basis may be established involving ratable reduction of pension allowances to a point that will bring the expenditures within limitations.

Notwithstanding the fact that the provisions of the regulations have always allowed of a *pro rata* reduction in allowances whenever they created demands in excess of the annual appropriation, the several administrative railroad companies of the System East of Pittsburgh did not deem it politic to avail themselves of this saving clause, but, instead, have on two occasions increased the annual appropriation to a figure considered necessary to avoid allowance reductions. The first increase, effective January 1, 1902, was from \$300,000 to \$390,000, and the second, commencing with January 1, 1907, to \$600,000. The latter amount, decided upon after mature study and analysis and close figuring, will, it is believed, carry Pension Department operations for a number of years, without entailing reduction in allowances already granted or those that may be hereafter authorized. The original annual appropriation of \$150,000 made by the Lines West of Pittsburgh at the time the Pension Department for that part of the Railroad System was inaugurated, January 1, 1901, has also been increased twice. The first increase, effective January 1, 1905, was from \$150,000 to \$217,500, and of this

increase \$20,000 was for the purpose of providing pension allowances to employees of the Vandalia Railroad Company, which at that time became associated in the administration of the Pension Department. The second increase, effective September 1, 1906, placed the appropriation at \$22,500, the \$5,000 added at the time being to provide for the payment of pension allowances to employees of the Cleveland, Akron and Columbus Railway Company, on which date that Company became associated in administration of the Pension Department.

The funds necessary for the payment of pension allowances are provided in the form of appropriations authorized at regular annual meetings of the stockholders of the several companies concerned. Disbursements against these annual appropriations, for pension allowances, are made monthly, in the same manner as salary and wage payments to employees in general, by pay-roll, under the immediate supervision of the Superintendents of the various affiliated roads and divisions in interest embraced in the Railroad System. Such monthly disbursements represented charges against the operating expenses of the roads and divisions involved.

Total System pension allowances since inauguration of the Departments, to and including December 31, 1907, aggregated \$3,879,438.24 made up:

Lines East	\$2,901,548.69
Lines West	977,889.55
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Total	\$3,879,438.24

Company payments to the two Funds since inauguration, representing strictly Department operating expenses paid wholly by the companies associated in joint administration of the two Departments, aggregated \$54,403.92, up to and including December 31, 1907, distributed:

Lines East	\$38,699.91
Lines West	15,704.01
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Total	\$54,403.92

Total System pension allowances during the year 1907 amounted to \$684,867.65, made up:

Lines East	\$507,461.10
Lines West	177,406.55
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Total	\$684,867.65

The total number of employees of both parts of the System retired and granted pension allowances up to the end of the year 1907 was 4,427, distributed:

Lines East	3,331
Lines West	1,096
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Total	4,427

Average age of retirement for employees, in both classes, for both parts of the System, during the year 1907, was:

Lines East	68 years, 11 months.
Lines West	69 years, 6 months.

Average age of pensioners, both classes, carried on the pension rolls on December 31, 1907, was:

Lines East	73 years, 4 months.
Lines West	71 years, 6 months.

The average length of service of employees retired, in both classes, for both parts of the System, during year 1907, was:

Lines East	35 years, 7 months
Lines West	33 years.

The number of pensioners carried on the pension rolls of the two parts of the System at the end of the year 1907 aggregated 2,756, distributed:

Lines East	2,020
Lines West	736
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Total	2,756

The number of deaths for both Departments, for the full period of operation to and including December 31, 1907, was:

Lines East	1,311
Lines West	358
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Total	1,669